

**BACHELOR OF BUSINESS ADMINISTRATION (C.B.C.S.) (2015 COURSE)**

**B.B.A. Sem-III : WINTER : 2021**

**SUBJECT: BASICS OF FINANCIAL MANAGEMENT**

**Day :** Wednesday

**Date :** 19-01-2022

**W-13869-2021**

**Time :** 10:00 AM-01:00 PM

**Max. Marks:** 100

**N.B.:**

- 1) Answer ANY FOUR questions from Section I. Each question carries 15 Marks.
- 2) Answer ANY TWO questions from Section II. Each question carries 20 Marks.
- 3) Answers to Both the sections to be written in SEPARATE answer books
- 4) Draw a labeled diagram WHEREVER necessary
- 5) 10 Digit Basic calculator is allowed to use.

**SECTION - I**

Q.1) Answer the following: (15 Marks X 1 = 15 Marks)

“The wealth maximization objective provides an operationally appropriate decision criterion”  
Analyze the statement.

Q.2) Answer the following: (15 Marks X 1 = 15 Marks)

What is an irredeemable debenture? How is it measured?

Q.3) Answer the following: (15 Marks X 1 = 15 Marks)

Define capital structure. What are the elements of capital structure? What do you mean by an appropriate capital structure? Explain EBIT – EPS approach.

Q.4) Answer the following: (15 Marks X 1 = 15 Marks)

Explain the nature of factors which influence the dividend policy of the firm. Also explain the various forms of dividend.

Q.5) Write short notes on ANY THREE (5 Marks X 3 = 15 Marks)

- a) Venture Capital
- b) What is NPV? How is it different from IRR?
- c) Operating leverage
- d) Working capital works with short term liquidity position of the firm.
- e) Importance of dividend policy

**SECTION - II**

Q.6) Answer the following: (20 Marks X 1 = 20 Marks)

Calculate the degree of operating leverage from the following data and advise which firm is more riskier?

	A	B
Sales	25,00,000	30,00,000
Variable Cost	50% of Sales	25% of Sales
Fixed Cost	7,50,000	15,00,000

Q.7) Answer the following: (20 Marks X 1 = 20 Marks)

Calculate the Working Capital requirement for a manufacturing Firm for the Level of activity of 80,000 Units. You may assume that production is carried on evenly throughout the year and Wages & Overhead expenses accrue similarly and a time period of 4 weeks is equivalent to a month.

Description	Amount (Rs. Per Unit)	Other Information
Raw materials	45	• Raw materials in stock: Two weeks
Direct labor	20	• Materials in Process: One week
Overheads	37.5	• Finished Goods in stock: Two weeks
Total Cost	102.5	• Credit allowed by Suppliers: Half Month.
Profit	22.5	• Credit allowed to Customers: 4 weeks.
Selling price	125	• Overheads Two weeks

Cash at Bank is expected to be Rs. 40,000. Also 80% of the sales are credit sales for the firm. Any other data if required may be assumed.

Q.8) Answer the following: (20 Marks X 1 = 20 Marks)

Equipment A has a cost of Rs. 75,000 and net cash flow of Rs. 20000 per year for 6 years. A substitute equipment B would cost Rs. 50,000 and generate net cash flow of Rs. 14000 per year for six years. The required rate of return of both equipment is 11%. Calculate the IRR and NPV for the equipment. Which equipment should be accepted and why?

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